

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Financial Statements

Year Ended December 31, 2019



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Independent Auditor's Report

To the Directors of Big Brothers and Big Sisters of Red Deer and District

Qualified Opinion

We have audited the financial statements of Big Brothers and Big Sisters of Red Deer and District (the Entity), which comprise the statement of financial position as at December 31, 2019 and the statement of revenues and expenditures, statement of changes in net assets, statement of cash flow, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Red Deer and District as at December 31, 2019 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Big Brothers and Big Sisters of Red Deer and District derives revenue from third party donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Big Brothers and Big Sisters of Red Deer and District. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets at as December 31, 2019 and net assets as at January 1, 2019 and December 31, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash (Note 5)	\$ 92,888	\$ 174,790
Accounts receivable	18,942	18,083
Investment (Note 3)	25,000	25,000
Cash - restricted	7,871	26
Prepaid expenses	15,429	8
	<u>160,130</u>	217,907
CAPITAL ASSETS (Note 4)	<u>1,910,889</u>	1,964,923
	<u>\$ 2,071,019</u>	<u>\$ 2,182,830</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 20,239	\$ 74,053
Deferred income (Note 5)	67,013	75,202
Due to related parties (Note 8)	12,464	27,476
	<u>99,716</u>	176,731
UNAMORTIZED CAPITAL CONTRIBUTIONS (Note 6)	<u>1,474,075</u>	1,550,970
	<u>1,573,791</u>	1,727,701
CONTINGENCY (Note 12)		
NET ASSETS		
Invested in capital assets	436,814	413,954
Unrestricted	60,414	41,175
	<u>497,228</u>	455,129
	<u>\$ 2,071,019</u>	<u>\$ 2,182,830</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

_____ Director

_____ Director

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Statement of Revenues and Expenditures
For the Year Ended December 31, 2019

	2019	2018
REVENUE		
Donations - receipted	\$ 27,565	\$ 39,147
Donations - unreceipted	66,315	29,630
FCSS grant	212,460	261,930
Gaming	2,126	388
Interest	125	441
Other grants	41,920	22,221
Rental revenue	4,500	-
Program participants revenue	931	858
Sponsorship	11,364	9,600
United Way	59,885	64,734
Youth in Care	71,083	71,083
	<u>498,274</u>	<u>500,032</u>
EXPENSES		
Administrative costs	127,103	131,355
Fundraising costs	37,258	16,570
Program delivery costs	304,449	330,918
Facility costs	10,745	7,386
	<u>479,555</u>	<u>486,229</u>
EXCESS OF REVENUE OVER ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>18,719</u>	<u>13,803</u>
OTHER INCOME		
Amortization of capital assets	(53,515)	(55,752)
Amortization of capital contributions (Note 6)	76,895	82,472
	<u>23,380</u>	<u>26,720</u>
EXCESS OF REVENUE OVER ADMINISTRATIVE EXPENSES	<u>\$ 42,099</u>	<u>\$ 40,523</u>

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Statement of Changes in Net Assets
Year Ended December 31, 2019

	Invested in capital assets	Unrestricted Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 413,954	\$ 41,175	\$ 455,129	\$ 414,606
Excess of revenue over administrative expenses	23,380	18,719	42,099	40,523
Disposal of capital assets	(520)	520	-	-
NET ASSETS - END OF YEAR	\$ 436,814	\$ 60,414	\$ 497,228	\$ 455,129

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT**Statement of Cash Flow****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 454,143	\$ 815,212
Cash paid to suppliers and employees	<u>(513,189)</u>	<u>(682,689)</u>
Cash flow from (used by) operating activities	<u>(59,046)</u>	<u>132,523</u>
INVESTING ACTIVITIES		
Purchase of capital assets (Note 4)	-	(58,577)
Advances from (to) related parties	<u>(15,011)</u>	<u>40,176</u>
Cash flow used by investing activities	<u>(15,011)</u>	<u>(18,401)</u>
INCREASE (DECREASE) IN CASH FLOW	(74,057)	114,122
Cash - beginning of year	<u>174,816</u>	<u>60,694</u>
CASH - END OF YEAR	<u>\$ 100,759</u>	<u>\$ 174,816</u>
CASH CONSISTS OF:		
Cash	\$ 92,888	\$ 174,790
Cash - restricted	<u>7,871</u>	<u>26</u>
	<u>\$ 100,759</u>	<u>\$ 174,816</u>

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

1. Objectives of the society

Big Brothers and Big Sisters of Red Deer and District (the "Society") is a registered Society under the Societies Act of the Province of Alberta. It is also registered as a charitable organization under the Income Tax Act (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The major objective of the Society is to help in the development of children from single parent families by enjoying a one on one mentoring relationship through a friendship that is personally, socially and psychologically beneficial.

Youth HQ Foundation, Big Brothers and Big Sisters of Red Deer and District and Boys' and Girls' Club of Red Deer & District are separately incorporated, maintain separate bank accounts, are audited separately, maintain separate memberships and have separate Board of Directors. Nevertheless, these three organizations are related Societies as they share the same vision, mission, administrative supports and facility. During the current year certain expenditures such as staffing and certain administrative costs were provided by the Youth HQ Foundation.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Buildings	10-30 years	straight-line method
Equipment	5-10 years	straight-line method
Leasehold Improvements	10-30 years	straight-line method
Paved surfaces	10 years	straight-line method

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the statement of revenues and expenses when a fair value can be reasonably estimated and when the materials are used in the normal course of the Society's operations and would otherwise have been purchased.

Volunteers contribute many hours per year to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, their contributed services are not recognized in the financial statements.

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BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

2. Summary of significant accounting policies (continued)

Revenue recognition

The Society follows the deferral method of accounting for contributions and grants. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Deferred contributions related to capital assets are recognized as revenue on the same basis as the related asset is amortized.

Donations, fundraising and sponsorship are recognized as revenue when received or when the receivables can be reasonably estimated and collection is reasonably assured.

Bingo and casino (gaming) revenue is recognized as revenue when related expenses are incurred.

Program registrations are recognized when programs are delivered.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Significant estimates made by management include the allocation of revenue and expenses between programs and collectibility of accounts receivable. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

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BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

2. Summary of significant accounting policies *(continued)*

Financial instruments policy

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (refer to Note 8).

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures investments in equity instruments quoted in an active market. Fair value is determined by published price quotations. Investments in equity transactions not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for these financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, no asset is individually significant, etc. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess revenues over expenses in the year the reversal occurs.

Allocation of expenses

During the year some of the program activities were provided by the Youth HQ Foundation ("the Foundation"). The costs of each program provided by the Foundation include the costs of personnel, premises, and other expenses that are directly related to providing the program. The Foundation also incurs a number of general support expenses that are common to the administration of the Foundation and each of its programs. The Foundation also engages in youth services programs requiring certain fundraising activities. The Foundation allocates certain of its fundraising and general support expenses to this Society by identifying the appropriate basis of each component expense, and applying that basis consistently each year.

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

3. Investment

Investment consists of a guaranteed investment certificate maturing February 2020 (2018 - maturing February 2019) and bearing interest at 0.6% (2018 - 0.5%). This investment is held as security for the letter of credit in Note 12.

4. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Buildings	\$ 1,903,030	\$ 621,426	\$ 1,281,604	\$ 1,315,369
Equipment	201,210	188,251	12,959	15,560
Leasehold improvements	820,726	204,400	616,326	633,994
Paved surfaces	12,204	12,204	-	-
	\$ 2,937,170	\$ 1,026,281	\$ 1,910,889	\$ 1,964,923

During the year capital assets were acquired at an aggregate cost of \$0 (2018 - \$58,577) of which nil (2018 - \$0) were donations, \$0 (2018 - \$58,577) were acquired in cash and \$0 (2018 - \$0) were acquired through accounts payable.

5. Deferred revenue

The Society received funds from organizations that cover certain expenditures to be made in periods beyond December 31, 2019. The following amounts have been deferred until these expenditures take place.

	2019	2018
Raffle	\$ -	\$ 26
CIP	22,920	-
Community Initiatives Program	-	55,512
Youth in Care	17,771	17,771
Tim Horton's - Innisfail	4,516	1,893
Rogers	6,000	-
Ledgens of Hockey	15,806	-
	\$ 67,013	\$ 75,202

Of this amount, \$47,013 (2018 - \$75,176) is represented by cash, and \$0 (2018 - \$26) is restricted cash.

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

6. Unamortized capital contributions

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,550,970	\$ 1,333,442
Additional contributions received	-	300,000
Amounts taken into revenue	<u>(76,895)</u>	<u>(82,472)</u>
Balance, end of year	<u>\$ 1,474,075</u>	<u>\$ 1,550,970</u>

7. Commitments

The Society has an agreement with the Province of Alberta to lease the land on which Camp Alexo is located for a term of twenty-five years which expires May 2030 and has an annual rent of \$1. The fair value of this lease is indeterminable.

8. Related party transactions

During the year \$298,756 (\$368,980 in 2018) of program delivery, \$60,206 (\$29,996 in 2018) of office operating and administrative, and \$18,676 (\$18,494 in 2018) of fundraising costs were paid to Youth HQ Foundation.

Included in advances from related parties is \$12,464 due to Youth HQ Foundation (2018 - \$12,829 due from). Included in accounts payable is \$64,384 to Red Deer Youth & Volunteer Centre Foundation.

Included in advances to related parties is \$0 due to Boys' and Girls' Club of Red Deer & District (2018 - \$14,647).

All transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Other Price Risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's investments in mutual funds exposes the Foundation to price risk as these investments are subject to price changes in an open market due to a variety of reasons including in market rates of interest, general economic indicators and restrictions on credit markets.

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

10. Additional information to comply with the disclosure requirement of the Charitable Fundraising Act and Regulation

The Youth HQ Foundation employs a fund development manager who is responsible for coordinating all fund developmental activities for all of the related societies in Note 1. Staff members from each society provide assistance to the fund development manager as applicable to their related society as required. The total remuneration of the fund development manager was \$62,253 (2018 - \$61,645) of which \$18,676 (2018 - \$18,494) was allocated to this Society.

11. Allocation of expenses

During the year, the following expenses were allocated to the Society from the Youth HQ Foundation:

	\$	%	Basis
Fundraising	\$ 18,676	30	Time Spent

In the prior year \$18,494 (30%) was allocated based on time spent.

12. Contingency

The Society arranged a letter of credit in the amount of \$23,000 (2018 - \$23,000) in favour of the Government of Alberta (pertaining to possible reclamation costs at Camp Alexo). This letter of credit is secured by a \$25,000 (2018 - \$25,000) GIC. As at year end no amounts were drawn on this facility. No liability for reclamation has been accrued as the fair value cannot be reasonably estimated given the reclamation would only occur if the camp were to close and the lease expired without renewal; the Society does not intend on closing the camp.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

14. Uncertainty due to COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. Although the disruption from the virus is expected to be temporary, if the impact of COVID-19 continues there could be further effect on the Society that could impact the Society's revenue, expenses and cash flows. At this time, the full potential impact of COVID-19 on the Society is not known.
